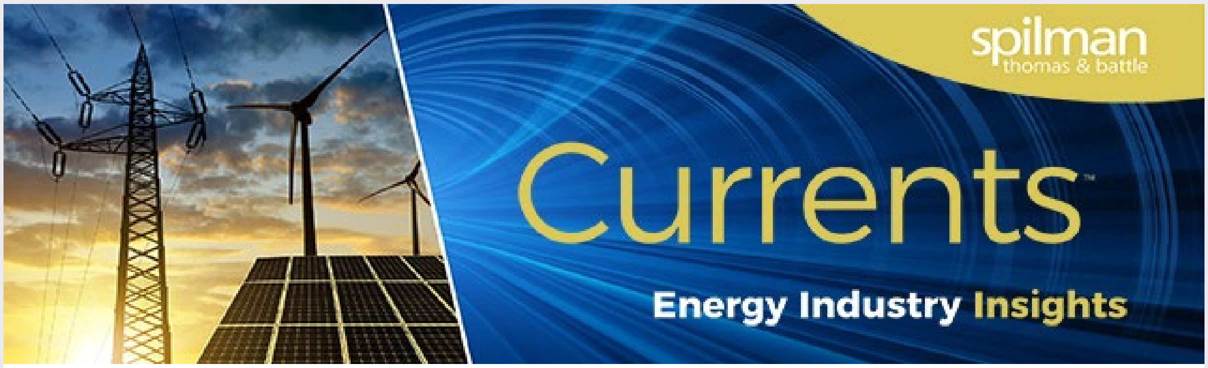

Issue 34, 2020

Spain Shuts Down Half of Its Coal Power Stations

"The move away from coal is driven predominantly by fundamental economics, although these are amplified by emissions trading schemes and other measures."

Why this is important: Spain in June 2020 closed seven of its 15 coal-fired electrical generation plants. Spain now has announced four more coal-fired electrical generation plants will close as the country will cease coal-fired generation in the next few years. Most of Europe is closing coal-fired plants at a rapid pace that has accelerated this year as electric demand has dropped during the COVID-19 pandemic. These developments also will continue to weaken world steam coal export markets. --- Mark E. Heath

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California Approves $436M for SCE's EV Charging Program, Largest Utility Plan in the U.S.

"The California Public Utilities Commission formally approved Southern California Edison's Charge Ready 2 infrastructure program, with a $436 million budget that will fund approximately 37,800 electric vehicle charging ports in the utility's service territory, making it the largest single-utility EV charging program in the country."

Why this is important: As the price of EV's continues to drop and the battery capacity and travel range continue to increase, the primary barrier to widescale EV adoption is now the lack of charging infrastructure. SCE's investment in an additional 37,800 charging stations is a significant commitment that needs to be replicated by other utilities across the country. --- Nicholas S. Preservati

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California's Blackouts Highlight Need for Electric Reliability Insurance Market

"Incorporating consumer preference differentiation within and across customer segments will benefit electricity consumers and make CAISO's job less challenging when temperatures and electricity demand soar."

Why this is important: Parts of California suffered blackouts in August when Golden State electrical utilities couldn't get enough out-of-state power to balance an undersupply of in-state renewable energy. Most commentators have addressed the supply-side deficiencies of the California system, but this article suggests that demand management, by allowing consumers to purchase insurance against service termination, might be a better approach. Homeowners and businesses could choose to insure against supply disruption, with those paying the greatest amount for insurance getting the most assured service. --- David L. Yaussy

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End of Coal? More Banks Plan to Phase Out Financing of Coal-Related Businesses

"'We've been talking about coal reduction, diversification, the need to fight climate change and align with the Paris Agreement for a long period of time.'"

Why this is important: Banks world-wide are ending the financing of coal mining activities while focusing more on renewable energy investment. The most recent is the international banking giant, BNP Paribas, which pledged to exit the global coal business by 2040 and announced plans to cancel relationships with 30 to 50 percent of its existing clients in the power generation business, mostly Asian companies that remain highly dependent on coal. This transition has been in the works for some time. In May 2020, BNP Paribas said it will no longer accept any new customers that generate at least 25 percent of its revenues from coal. The bank also has financed no new coal-fired power plant projects anywhere in the world since 2017. BNP Paribas is among a rapidly growing list of global banks, insurers, and financing entities that have banned, or are banning, investments in coal. Other banks include ABN Amro Bank of Netherlands, German insurer Allianz, British insurer Aviva, and Deutsche Bank. U.S. Citigroup pledged to end financing new thermal coal mines or expansions of existing mines, and intends, by 2030, to phase out financing for companies deriving at least 25 percent of their revenue from thermal coal mining. Even JP Morgan Chase announced plans to curb loans to coal firms. Industry experts expect more banks are likely to follow due to increasing global concern over the impact of coal emissions on the environment and the rapid growth of "green energy" projects. This trend, along with record low demand, likely will hasten the decline of the coal industry. --- Dennise R. Smith

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Bill Gates’ Nuclear Startup Unveils Mini-Reactor Design Including Molten Salt Energy Storage

"The new design is a combination of a 'sodium-cooled fast reactor' — a type of small reactor in which liquid sodium is used as a coolant — and an energy storage system."

Why this is important: Nuclear energy is a low-carbon means of supplying power, but it doesn't fit well with variable electric generation sources, such as solar or wind, because nuclear reactors can't start and stop quickly to match fluctuations in renewables' power output. Bill Gates and his co-investors believe they have solved the problem of integrating the two competing sources -- a molten salt reactor. The nuclear reactor melts a salt, which holds heat that can be used to produce steam on demand, generating power quickly whenever renewable supplies slacken. The molten salt acts like a battery, storing energy that can be retrieved rapidly when the electric grid is demanding power. --- David L. Yaussy

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The 800-Lb Gorilla Between U.S. Shale Producers and a Big Comeback: Decline Rates

"This time around, after the record U.S. production increase in 2018, oil prices fell in 2019 (even with aggressive production cuts from OPEC and cooperating countries like Russia)—meaning the industry has already been in cost-cutting mode for several years."

Why this is important: Industry expert and former senior BP economist, Mark Finley, is cautioning against expecting a robust recovery of the oil and gas industry post-pandemic despite glimmers of hope on the horizon. After recent months brought the fastest oil production drop in U.S. history, prices appear to be recovering with rig counts stabilizing and fracturing count increasing. Recall that U.S. shale and oil producers recovered quickly after the last drastic price collapse in 2015, making the U.S. the world's largest oil producer and self-sufficient in oil for the first time in 70 years. However, Finley warns it will be "a tougher task for the U.S. shale industry to maintain its competitiveness in 2020." Several factors will dampen another healthy recovery, including fewer opportunities for cost cutting this time around and a different investment climate. Specifically, "the oil and gas sector is out of favor with many investors, making it harder for the industry to access capital to fund new drilling." The large global inventory and high OPEC spare capacity continues to weigh on prices, as productivity gains have slowed due to the maturing of horizontal drilling and hydraulic fracturing technologies. These factors, along with aggregate declines in the total U.S. shale production base, will hamper incentives for additional activity to stabilize production. While the author notes "U.S. production could certainly rebound if prices soar and industry investment once again takes off," he warns against basing our 2020 oil market analysis on 2015's experience. --- Dennise R. Smith

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Energy Question of the Week

Last Week's Question and Results

Will there be an increase of nuclear reactors for electricity generation in the next 10 years?

Yes - 52.4%
No - 28.6%
Do Not Know - 19%

How close is the nearest electric vehicle charging station to your place of employment?

There is one at work

Select

Less than 1 mile away

Select

1 to 5 miles away

Select

More than 5 miles away

Select

Do not know

Select

EIA Energy Statistics

Here is a round-up of the latest statistics concerning the energy industry.

PETROLEUM
This Week in Petroleum

Weekly Petroleum Status Report

NATURAL GAS
Short-Term Energy Outlook - Natural Gas

Natural Gas Weekly Update

Natural Gas Futures Prices

COAL

Short-Term Energy Outlook - Coal

Coal Markets

Weekly Coal Production

RENEWABLES

Short-Term Energy Outlook

Monthly Biodiesel Production Report

Monthly Densified Biomass Fuel Report

What are your areas of interest? If there are particular industries or issues that you would like to hear about, email us! We have a large number of attorneys willing to weigh in on the issues that impact you and your business.

If you would like to subscribe to this weekly e-blast or know someone who would, please email us with contact information and CURRENTS in the subject line. We will add you or your acquaintance to the email list.

If you have any energy questions, please feel free to contact us.